

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAII-AMERICAN WATER COMPANY)
For Approval of Rate Increase and)
Revised Rate Schedules and Rules.)

DOCKET NO. 05-0103

INTERIM DECISION AND ORDER NO. 22642

Filed July 25, 2006
At 10:20 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2006 JUL 27 A 9:22

RECEIVED

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

In the Matter of the Application of)
HAWAII-AMERICAN WATER COMPANY)
For Approval of Rate Increase and)
Revised Rate Schedules and Rules.)

Interim Decision and
Order No. 22642

By this Interim Decision and Order, the commission approves, on an interim basis, HAWAII-AMERICAN WATER COMPANY'S ("HAWC") request to increase its rates to such levels as will produce in the aggregate \$789,078 in additional revenues for the test year ending December 31, 2006 ("Test Year"), or an increase of 10.78% over revenues at present rates.

Background

HAWC, a Nevada corporation,¹ is a public utility authorized to provide wastewater collection, treatment, and

¹American Water Works Company, Inc. ("American Water"), a Delaware corporation, is HAWC's sole shareholder. In turn, American Water's stock is currently held by Thames Water Aqua Holdings GmbH ("Thames Water"), which is a subsidiary of RWE Aktiengesellschaft, a foreign corporation organized under the laws of the Federal Republic of Germany. Recently, the commission conditionally approved Thames Water's proposed plans to sell up to 100% of American Water's common stock in one or more public offerings. See In re Hawaii-American Water Company, Docket No. 2006-0095, Decision and Order No. 22511, filed on June 5, 2006.

disposal services to the residences, condominiums, and commercial establishments in the Hawaii Kai community on the island of Oahu, State of Hawaii.²

A.

HAWC's Application in the Rate Case Docket

On August 25, 2005, HAWC filed an application for commission approval to increase its rates and revise its rate schedules and rules for service ("Application") in this docket ("Rate Case Docket").³ In its Application, HAWC proposed to: (1) increase its rates for residential and certain commercial customers (including the City and County of Honolulu ("City")) while decreasing the rate it charges to food service commercial customers; and (2) revise its General Wastewater Service Rules and Regulations Covering the Provision of Wastewater Service to Customers, including but not limited to, the establishment of a separate rate class known as Public Authority - Dwelling. Under

²In addition to its operations on Oahu, HAWC provides support services to Kaupulehu Water Company and, in early 2006, acquired the assets of Mauna Lani STP, Inc., which are both located on the island of Hawaii. See In re Mauna Lani STP, Inc. and Hawaii-American Water Company, Docket No. 05-0229, Decision and Order No. 22299, filed on February 28, 2006.

³HAWC served copies of the Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an *ex officio* party to this docket pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62, and on the Mayor of the City and County of Honolulu.

On September 14, 2005, the Consumer Advocate filed its Statement of Position Regarding Completeness of Application stating that it does not object to the completeness of HAWC's Application, pursuant to HRS § 269-16(d).

this new rate class, HAWC proposes to charge the City a rate of \$51.28 per user/dwelling for sewerage services for Portlock, Kuliouou Valley, Paiko and other areas in Hawaii Kai where customers are directly served by the City's sewer system (which is connected to HAWC's system), and pay their sewer bills directly to the City instead of HAWC.⁴

On November 7, 2005, the City filed a motion to intervene ("Motion") in this Rate Case Docket.⁵ By Order No. 22252, filed on January 31, 2006, the commission granted the City's motion. HAWC, the Consumer Advocate and the City are collectively referred to as the "Parties."

By Order No. 22304, filed on March 3, 2006 ("Order No. 22304"), the commission approved the Parties' Stipulated Prehearing Order, which included a Stipulated Regulatory Schedule filed by the Parties on February 21, 2006, that required the Parties to inform the commission of any settlement agreement.⁶

⁴On October 27, 2005, the commission held a public hearing on HAWC's Application at Kamiloiki Elementary School Cafeteria, 7788 Hawaii Kai Drive, Honolulu, Hawaii, 96825, pursuant to HRS § 269-16(b) ("Public Hearing"). Written and verbal comments regarding HAWC's Application were received into the record prior to, during, and following the Public Hearing. The transcript of the Public Hearing was filed with the commission on November 9, 2005.

⁵HAWC filed its response to the City's Motion on November 14, 2005. Subsequently, on November 28, 2005, the City filed a reply in support of its Motion, without commission leave to submit the filing.

⁶Pursuant to the terms of Article II of the Stipulated Prehearing Order, the Parties by agreement amended the approved Stipulated Regulatory Schedule various times throughout this proceeding. For example, by letter filed on May 8, 2006, HAWC advised the commission of the Parties' agreement to temporarily suspend Procedural Steps Nos. 10-14, without waiving such steps, pending completion of their settlement discussions.

Order No. 22304 also approved the Parties' agreement to waive the nine (9)-month deadline for the issuance of the commission's final decision and order in this matter.⁷

B.

Investigation Docket

On February 1, 2006, the commission initiated an investigation in a separate docket, Docket No. 2006-0021 ("Investigation Docket"), to determine whether Act 59, Session Laws of Hawaii 1974, which amended HRS § 269-1, invalidates, voids, or renders unenforceable, that certain agreement entered into in 1961 by and between the Trustees Under the Will and of the Estate of Bernice P. Bishop, deceased; Kaiser Hawaii Kai Development Co., a Nevada corporation (predecessor-in-interest to HAWC); and the City. The 1961 agreement at issue in this matter provides for, among other matters, sewerage services at no charge to the City and the State of Hawaii ("State") ("1961 Agreement").

Also, pursuant to the approved Stipulated Regulatory Schedule, the Parties conducted discovery through, among other means, the issuance of information requests and informal discussions.

⁷The nine (9)-month deadline for the issuance of a final decision regarding the matters of this docket was May 25, 2006. See HRS § 269-16(d). In the Stipulated Prehearing Order, the Parties, however, scheduled the evidentiary hearing (if, there was no settlement) for the week of July 12, 2006, which was after the May 25, 2006 deadline for the issuance of a final decision. Accordingly, the commission construed the Parties' Stipulated Prehearing Order as an agreement to waive the requirement that a final decision and order in this matter be issued within the nine (9)-month period, (i.e., by May 25, 2006); and approved the Parties' agreement to waive the nine (9)-month deadline, under HRS § 91-9(d) and HAR § 6-61-35.

The parties to that docket are HAWC, the Consumer Advocate, the City and the State.

Position statements were filed in the Investigation Docket by HAWC on April 6, 2006, and by the City and the State on May 1, 2006. HAWC filed replies to the City and the State's position statements on May 15, 2006.

C.

Settlement Agreements in the Rate Case Docket

On July 7, 2006, the Parties filed a signed Settlement Letter in the Rate Case Docket in which the Parties stated that they had resolved their outstanding issues regarding all rate case related items, in principle; and had agreed that the remaining issues were more appropriately addressed in the commission's Investigation Docket ("Settlement Letter").⁸

With regard to the rate case issues, HAWC and the Consumer Advocate stated that they had reached an agreement regarding all matters except the ratemaking treatment that should be applied if the commission determines that the 1961 Agreement is valid. For this matter, they agreed to waive their right to an evidentiary hearing on the disputed issue and stated that they would set forth their respective positions for the commission's

⁸In their Settlement Letter, the Parties informed the commission of their agreement that the evidentiary hearing, which was scheduled for July 13-14, 2006, is not necessary. See Notice of Evidentiary Hearing issued on June 27, 2006. Thus, on July 12, 2006, the commission issued its Notice of Cancellation of Evidentiary Hearing.

determination in a settlement document that will be filed after the issuance of an interim decision and order.

However, since HRS § 269-16 requires the commission to issue interim rates by July 25, 2006, HAWC and the Consumer Advocate stated that they would file an interim rate relief letter setting forth their agreed-upon revenue requirements and rate structure necessary for the purpose of granting interim rate relief.

On July 14, 2006, HAWC and the Consumer Advocate filed a Stipulated Interim Relief Letter In Lieu of Evidentiary Hearing ("Stipulated Interim Relief Letter") setting forth their stipulated agreement as to interim rates. In the Stipulated Interim Relief Letter, HAWC and the Consumer Advocate agree that "HAWC is probably entitled to an increase in its rates to the extent provided herein" and that "without interim relief in this proceeding, HAWC may be denied an opportunity to earn a fair return on its rate base."⁹ As a result, HAWC and the Consumer Advocate agree that "for interim purposes pending a final decision by the Commission in this docket, it is appropriate and reasonable to adopt an average rate base of \$20,444,468, a rate of return on the rate base of 8.85 per cent, and test year ending December 31, 2006 revenue requirements or results of operations, as set forth in Exhibit A" and "that an interim increase in revenues of \$789,078, or an increase of 10.78 per cent (10.78%) over revenues at present rates, is just and reasonable."¹⁰ HAWC

⁹See Stipulated Interim Relief Letter at 3.

¹⁰Id.

and the Consumer Advocate, however, state that the ratemaking treatment of the "Public Authority - Dwelling" and "Public Authority - Other" classifications (collectively, "Public Authority Classifications") cannot be determined until the commission renders its decision in the Investigation Docket and request that this matter be addressed in that docket.

HAWC and the City state in the Settlement Letter that they "recognize and agree" that their disputed issues (i.e., Public Authority Classifications) are more appropriate for determination as part of the commission's Investigation Docket. In short, the City's position is that the 1961 Agreement is valid, that the commission does not have jurisdiction over the services covered in the agreement, and that the fundamental assumption of the Rate Case Docket, i.e., that the 1961 Agreement is invalid, is flawed. Nonetheless, HAWC and the City have agreed in principle to establish a volumetric rate for the Public Authority - Dwelling class. However, HAWC and the City state that they need additional time to reach an agreement on the appropriate volumetric rate for this classification. If an agreement is reached on this matter, the only issue to be resolved would be whether this volumetric rate should be reflected as an amendment to the 1961 Agreement (the City's position), or through a separate tariff rate (HAWC's position). They contend that the resolution of this matter hinges entirely on whether the 1961 Agreement is valid or invalid, which is an issue in the Investigation Docket.

Aside from attempting to reach an agreement on an appropriate volumetric rate for the Public Authority - Dwelling classification, HAWC and the City state that they are also further exploring whether a settlement can be reached regarding the "free service" provision of the 1961 Agreement (i.e., the Public Authority - Other classification) without the need for the commission to make a determination in the Investigation Docket. Due to continuing negotiations regarding the Public Authority Classifications, HAWC and the City request that the commission not issue a determination in the Investigation Docket for at least thirty (30) days from the date of their Settlement Letter (i.e., August 6, 2006). After this thirty (30)-day period, HAWC and the City will file a letter, jointly or separately, to advise the commission of the status of their discussions, and, if necessary, will request that the commission issue its determination regarding the validity of the 1961 Agreement.¹¹

¹¹In the event that the commission determines that the 1961 Agreement is invalid and HAWC and the City are unable to reach an agreement on the volumetric rate for the Public Authority - Dwelling class, the City reserves its option to, at that time, file its own proposed volumetric rate, subject to the establishment of a procedural schedule in the Investigation Docket, to allow HAWC an opportunity to issue discovery and to file its rebuttal position on the proposed rate. Additionally, HAWC and the City reserve their right to request an evidentiary hearing on the proposed volumetric rate. In this situation, HAWC and the City will request that the commission decide the appropriate volumetric rate for the Public Authority - Dwelling class, in addition to whether the volumetric rate should be established as an amendment to the 1961 Agreement or as a separate tariff rate in the Investigation Docket.

D.

HAWC's Requests

HAWC, with the agreement of the other parties to this proceeding, proposes that the commission resolve the matters of this docket in the following manner:

1. Grant Rate Relief, through two (2) steps:
 - (a) Interim increase, equal to the increase in rates to which the commission believes HAWC is "probably entitled" based on the record established.
 - (b) General increase, a general rate increase when the commission issues its final decision and order to provide for the amount of HAWC's total requested revenue increase not included in the interim rate increase.
2. Resolve the Public Authority Classifications issue within the commission's Investigation Docket.

II.

Discussion

HRS § 269-16(d) requires the commission to make every effort to complete its deliberations with respect to a public utility's request for a rate increase "as expeditiously as possible and before nine months from the date the public utility filed its completed application." The statute further provides that, if such deliberations are not concluded within the nine (9)-month period, the commission shall render an interim decision

within one (1) month after the expiration of the nine (9)-month period. It further states that the commission may postpone its interim rate decision an additional thirty (30) days if the commission considers the evidentiary hearing incomplete. The interim decision may allow an increase in rates if the commission believes the public utility is "probably entitled" to such interim rate relief.

HAWC filed its Application on August 25, 2005. By Order No. 22304, the commission approved the Parties' agreement to waive the nine (9)-month deadline for the issuance of the final decision and order in this docket. As of the ten (10)-month deadline, i.e., June 25, 2006, the evidentiary hearing, which was scheduled for July 13-14, 2006, was not complete. Accordingly, the eleven (11)-month deadline for issuance of interim rate relief is July 25, 2006.

This Interim Decision and Order is issued in compliance with HRS § 269-16(d), and addresses only the matters related to interim rate relief.

A.

Interim Increase

In reviewing the Settlement Letter and the Stipulated Interim Relief Letter, the commission agrees that HAWC is probably entitled to the level of relief requested in the Stipulated Interim Relief Letter and that without interim relief HAWC may be denied an opportunity to earn a fair return on its rate base. Attached to this Interim Decision and Order is

Exhibit A, which provides the commission's estimates of operating revenues, expenses, and the average depreciated rate base for the Test Year for purposes of this Interim Decision and Order. The numbers are based on the stipulated schedules filed with the Stipulated Interim Relief Letter, but contain slight deviations due to rounding and recalculation of certain items.

For interim relief purposes, the commission applies the average test year methodology, and finds reasonable an average depreciated rate base of \$20,444,468; a return on rate base of 8.85%¹²; and Test Year revenue requirements (or results of operations), as set forth in Exhibit A of this Interim Decision and Order.¹³ The commission also finds HAWC and the Consumer Advocate's agreement that an interim increase in revenues of \$789,078, or an increase of 10.78% over revenues at present rates, are reasonable for the purposes of this Interim Decision and Order.

The commission, however, disagrees, and therefore does not adopt, the Parties' stipulation that the Public Authority Classifications issue be decided in the Investigation Docket. The Parties stated that resolution of the Public Authority Classifications issue should be addressed as part of the

¹²This rate is consistent with HAWC's current authorized rate of return. See In re Hawaii-American Water Company, Inc., Docket No. 03-0025, Decision and Order No. 20966, filed on May 6, 2004.

¹³For interim rate relief purposes, the allocation of revenue increases to the various rate classes should reflect the proposal agreed upon by HAWC and the Consumer Advocate as set forth in their Stipulated Interim Relief Letter, which was filed pursuant to the terms and provisions of the Parties' Settlement Letter.

commission's Investigation Docket since, among other things, resolution of this issue "hinges entirely on whether the 1961 Agreement is invalid or valid, which is the primary issue to be decided upon in" that docket.¹⁴ While the commission agrees that resolution of the Public Authority Classifications issue is contingent on the commission's determination in the Investigation Docket, it disagrees that the Public Authority Classifications issue should be decided in the Investigation Docket. The Public Authority Classifications issue was not raised in the Investigation Docket and is more properly the subject of this Rate Case Docket. Accordingly, the commission will accept the Parties' agreement to defer resolution of this issue, but will decide the Public Authority Classifications issue, if necessary, in this docket.

Based on the established record, it appears that HAWC will probably be entitled to the level of relief that the commission is granting in this Interim Decision and Order. The interim relief granted herein meets HAWC's need for immediate rate relief and protects the interests of ratepayers. Accordingly, the commission finds the Parties' agreements on these matters for the purposes of interim rate relief to be acceptable except as noted above.

¹⁴See Settlement Letter at 3.

B.

Refund Requirement

The commission emphasizes that the adoption here of the various amounts reflected in Exhibit A is only for the purposes of this Interim Decision and Order. It does not, in any way, commit the commission to accept any of these amounts in its final decision for this docket. The commission's final decision will reflect a more detailed review and analysis of all estimates and proposals of the Parties.

HAWC will be required to refund to its customers any excess collected under this Interim Decision and Order, together with such interest as provided for by HRS § 269-16(d), if the final increase approved by the commission is less than the total interim increase granted by this Interim Decision and Order.

C.

Ultimate Findings of Fact and Conclusions of Law

The commission makes the following findings of fact and conclusions of law.

1. HRS § 269-16(d) mandates the commission make every effort to complete its deliberations and issue a final decision in public utility rate cases within nine (9) months after a completed application has been filed by a utility. If such deliberations are not concluded within the nine (9)-month period, the commission shall render an interim decision within one (1) month after the expiration of the nine (9)-month period. The

interim decision may be postponed an additional thirty (30) days if the commission considers the evidentiary hearing incomplete.

2. The ten (10)-month deadline for the issuance of an interim rate decision in this docket was June 25, 2006. Since the evidentiary hearing had not yet begun as of that date (it had been scheduled for July 13-14, 2006), the commission finds that the evidentiary hearing, as of the ten (10)-month deadline, was incomplete. The eleven (11)-month deadline for the issuance of an interim rate decision in this docket is July 25, 2006. This Interim Decision and Order is issued in compliance with HRS § 269-16(d).

3. Pursuant to HRS § 269-16(d), the commission may grant an interim increase, subject to refund and interest, pending a final decision, if the commission believes that the public utility is probably entitled to an increase in its rates.

4. Based on the record before the commission, HAWC is probably entitled to an increase in its rates.

5. Without interim relief, HAWC may be denied an opportunity to earn a fair return on its rate base.

6. For interim decision purposes, pending a final decision in this docket, it is appropriate and reasonable to adopt an average depreciated rate base of \$20,444,468; a rate of return of 8.85%; and Test Year results of operations, as set forth in Exhibit A, which is attached to this Interim Decision and Order.

7. An interim increase in revenues of \$789,078, or an increase of 10.78% over revenues at present rates, is just and reasonable.

III.

Orders

THE COMMISSION ORDERS:

1. HAWC may increase its rates, on an interim basis, to such levels as will produce, in the aggregate, \$789,078, in additional revenues for the Test Year (10.78% more than at present rates). The interim rate increase shall be effective from the date of this Interim Decision and Order, until the commission issues a final decision in this docket.

2. Within five (5) days of the date of this Interim Decision and Order, HAWC shall submit a revised schedule of rates and charges, reflecting the increase in rates allowed by this Interim Decision and Order. HAWC shall also serve the Consumer Advocate and the City with copies of the revised schedule.

3. Upon issuance of the final decision and order in this docket, any amount collected pursuant to this interim rate increase that is in excess of the increase determined by the final decision and order to be just and reasonable shall be refunded to HAWC's ratepayers, together with interest as provided by HRS § 269-16(d).

DONE at Honolulu, Hawaii

JUL 25 2006

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Carlito P. Caliboso
Carlito P. Caliboso, Chairman

By (EXCUSED)
Wayne H. Kimura, Commissioner

By John E. Cole
John E. Cole, Commissioner

APPROVED AS TO FORM:

Ji Sook Kim
Ji Sook Kim
Commission Counsel

05-0103.cs

DOCKET NO. 05-0103
HAWAII AMERICAN WATER COMPANY, INC.

RESULTS OF OPERATIONS

	<u>Present Rates</u>	<u>Additional Amount</u>	<u>Interim Rates</u>
REVENUES			
Residential	\$ 5,999,235	\$ 623,574	\$ 6,622,809
Commercial	726,265	79,966	806,231
Public Authorities-Dwelling & Other	581,230	85,538	666,768
Miscellaneous	10,811	-	10,811
Other	195	-	195
Total Operating Revenues	<u>7,317,736</u>	<u>789,078</u>	<u>8,106,814</u>
OPERATING & MAINT. EXPENSES			
Labor	\$ 827,325		\$ 827,325
Power & Fuel	383,694		383,694
Chemicals	213,793		213,793
Waste Disposal	227,475		227,475
Management Fees	571,515		571,515
Group Insurance	231,935		231,935
Pension	126,985		126,985
Regulatory Expense	97,464		97,464
Insurance Other Than Group	162,443		162,443
Customer Accounting	97,302	6,707	104,009
Rents	53,669		53,669
General Office Expenses	103,626		103,626
Miscellaneous	293,435		293,435
Other Maintenance	108,917		108,917
Total O & M Expenses	<u>3,499,578</u>	<u>6,707</u>	<u>3,506,285</u>
Taxes Other Than Income	540,288	50,383	590,671
Depreciation	1,586,414		1,586,414
Amortization CPS	57,109		57,109
Income Taxes	272,192	284,815	557,007
Net Operating Expense	<u>2,456,004</u>	<u>335,198</u>	<u>2,791,201</u>
Net Operating Income (Loss)	<u>\$ 1,362,154</u>	<u>\$ 447,173</u>	<u>\$ 1,809,328</u>
Average Depreciated Rate Base	<u>\$ 20,444,468</u>		<u>\$ 20,444,468</u>
Rate of Return	<u>6.66%</u>		<u>8.85%</u>

**DOCKET NO. 05-0103
HAWAII AMERICAN WATER COMPANY, INC.**

TAXES OTHER THAN INCOME TAXES

	<u>Tax Rates</u>	<u>Present Rates</u>	<u>Adjustments</u>	<u>Interim Rates</u>
Total Operating Revenues		<u>\$ 7,317,736</u>	<u>\$ 789,078</u>	<u>\$ 8,106,814</u>
Public Company Service Tax	5.885%	430,649	46,437	477,086
Public Utility Fee	0.500%	<u>36,589</u>	<u>3,945</u>	<u>40,534</u>
Total Revenue Taxes	6.385%	467,237	50,383	517,620
Other Taxes				
Payroll Tax		73,051		73,051
Total Other Taxes		<u>73,051</u>		<u>73,051</u>
Total Taxes Other Than Income Taxes		<u>\$ 540,288</u>		<u>\$ 590,671</u>

DOCKET NO. 05-0103
HAWAII AMERICAN WATER COMPANY, INC.

INCOME TAX EXPENSE

	<u>Present Rates</u>	<u>Interim Rates</u>
REVENUES		
Residential	\$ 5,999,235.00	\$ 6,622,809
Commercial	726,265	806,231
Public Authorities-Dwelling & Other	581,230	666,768
Miscellaneous	10,811	10,811
Other	195	195
Total Operating Revenues	<u>7,317,736</u>	<u>8,106,814</u>
OPERATING & MAINT. EXPENSES		
Labor	\$ 827,325	\$ 827,325
Power & Fuel	383,694	383,694
Chemicals	213,793	213,793
Waste Disposal	227,475	227,475
Management Fees	571,515	571,515
Group Insurance	231,935	231,935
Pension	126,985	126,985
Regulatory Expense	97,464	97,464
Insurance Other Than Group	162,443	162,443
Customer Accounting	97,302	104,009
Rents	53,669	53,669
General Office Expenses	103,626	103,626
Miscellaneous	293,435	293,435
Other Maintenance	108,917	108,917
Total O & M Expenses	<u>3,499,578</u>	<u>3,506,285</u>
Depreciation	1,586,414	1,586,414
Amortization CPS	57,109	57,109
TOTIT	540,288	590,671
Interest	934,800	934,800
Net Operating Expense	<u>3,118,611</u>	<u>3,168,994</u>
Taxable Income	699,547	1,431,535
Income Tax Provision		
Effective tax rate of	38.9098% 272,192	557,007
Less Amortization of:		
HCGETC Amortization	<u>0</u>	<u>0</u>
Income Tax Expense	<u>\$ 272,192</u>	<u>\$ 557,007</u>

**DOCKET NO. 05-0103
HAWAII AMERICAN WATER COMPANY, INC.**

AVERAGE DEPRECIATED RATE BASE

Description	At 12/31/2005	At 12/31/2006	Average
Plant in Service	\$ 34,232,556	\$ 37,764,624	
Accum. Depr. Reserve	13,813,579	15,399,993	
Net-Plant-in-Service	<u>20,418,977</u>	<u>22,364,631</u>	
Deduct:			
Net Contributions in Aid of Construction	(336,615)	(318,360)	
Customer Advances	-	-	
Customer Deposits	-	-	
Accumulated Deferred Taxes: Federal	(89,746)	(103,500)	
Accumulated Deferred Taxes: State	72,173	66,242	
Unamortized Hawaii General Excise Tax Credit	<u>(279,229)</u>	<u>(337,086)</u>	
Subtotal	(633,417)	(692,704)	
Add:			
Working Capital	(151,000)	(151,000)	
Retirements	<u>(99,529)</u>	<u>(167,023)</u>	
Subtotal	(250,529)	(318,023)	
Average	19,535,031	21,353,904	
Rate Base at Present and Interim Rates			<u>\$ 20,444,468</u>

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Interim Decision and Order No. 22642 upon the following Petitioners, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

KENT D. MORIHARA, ESQ.
MICHAEL H. LAU, ESQ.
MORIHARA LAU & FONG, LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

Attorneys for HAWAII-AMERICAN WATER COMPANY

DAVID P. STEPHENSON
c/o AMERICAN WATER WORKS SERVICE COMPANY, INC.
4701 Beloit Drive
Sacramento, CA 95838

RODNEY L. JORDAN
c/o AMERICAN WATER WORKS SERVICE COMPANY, INC.
4701 Beloit Drive
Sacramento, CA 95838

LEE A. MANSFIELD, P.E.
MANAGER
HAWAII-AMERICAN WATER COMPANY
6700 Kalanianaʻole Highway, Suite 205
Honolulu, HI 96825

CRAIG A. MARKS, ESQ.
CORPORATE COUNSEL - WESTERN REGION
AMERICAN WATER
19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

(Certificate of Service - Continued)

CARRIE K.S. OKINAGA, ESQ.
DEREK T. MAYESHIRO, ESQ.
MAILE R. CHUN, ESQ.
PAUL HERRAN, ESQ.
DEPARTMENT OF THE CORPORATION COUNSEL
CITY AND COUNTY OF HONOLULU
530 S. King Street, Room 110
Honolulu, HI 96813

Attorneys for CITY AND COUNTY OF HONOLULU



Karen Higashi

DATED: JUL 25 2006